

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4685-02
BILL NO.: HB 2135
SUBJECT: Business and Commerce
TYPE: Original
DATE: April 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$5,040)	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$5,040)	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **University of Missouri** stated it is unclear if the legislation would have a fiscal impact on the university. Based on responses from other educational institutions, the **Oversight Division** assumes the university could accomplish the provisions of the proposal with existing resources.

Officials from the **Department of Natural Resources, Department of Public Safety - Highway Patrol, Office of Administration - Division of Purchasing and Materials Management, Department of Economic Development, Department of Labor and Industrial Relations, Harris-Stowe State College, Department of Transportation, Department of Conservation, Central Missouri State University and Missouri Western State College** assume the proposal would result in no fiscal impact to the agencies.

Officials from the **Department of Corrections (DOC)** assume that for purposes of this fiscal note, the DOC assumes that a “living wage” is equivalent to the federal minimum wage of \$5.75 per hour. Passage of this proposal would affect both the General Revenue and the DOC’s Working Capital Revolving Funds. Currently, Missouri Vocational Enterprises (MVE) manufactures uniforms, garments and accessories purchased by DOC as well as other state agencies.

At present, MVE employs 246 inmate offenders in the manufacture of garments and related accessories at an average wage of \$.50 per hour, an average of 35 hours per week. Minimum wage is \$5.75 per hour and if MVE were required to pay minimum wage due to passage of this bill, the \$5.25 per hour difference in wages alone would result in a 1050% increase in pay, or \$2.5 million annual increase in MVE expenses. This additional expense would be passed on to state agencies purchasing these goods in the form of higher per-item costs. There would be an additional unknown operational impact if MVE is required to allow collective bargaining on the part of the inmate workers.

DOC is required by executive order to purchase staff and inmate uniforms from MVE. The increase in cost per clothing item would have to be absorbed through an unknown but significant increase in General Revenue funds. It is assumed that in the absence of the executive order requiring the DOC to purchase goods produced by MVE, a similar increase in operating expenses would be incurred based on purchasing the needed items on the open retail market.

ASSUMPTION (continued)

The **Oversight Division** assumes increased costs to the DOC would depend on the Commission's definition of a "living wage". For purposes of this fiscal note, Oversight assumes inmates are already paid a living wage since their living expenses are covered by the DOC. However, if the Commission determines inmate wages would be increased, additional costs would result to state funds resulting from increased costs passed on to state agencies purchasing goods from the DOC.

The **Oversight Division** has calculated Commission expenses at \$70 per meeting and mileage at 28 cents per mile for 250 miles per member per meeting. Oversight assumes Commission members would meet each month for four months from September 1, 2001, when the terms of the Commission members would begin, to January 1, 2002, the deadline for development of the written code of conduct. The proposal states that after each initial biennial meeting, the Commission would meet as often as necessary to carry out the establishment or revision of the standards. Therefore, Oversight has included meeting expenses in FY 2002 only, assuming the next meeting would be in FY 2004.

\$70 x 4 monthly meetings x 9 members =	\$2,520
28 cents per mile x 250 miles x 4 meetings x 9 members =	<u>\$2,520</u>
Total	<u>\$5,040</u>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost-Office of Administration

Commission Meetings	<u>\$0</u>	<u>(\$5,040)</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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DESCRIPTION

The proposal would create the Fair Apparel Manufacturing Standards Commission. Prior to January 1, 2002, the Commission would develop a written code of conduct to govern the relationship between the state and any manufacturers or supplier of apparel or accessories to any department, agency or other entity of the government of the state, whether for retail or use by the entity. Prior to January 1, 2002, all public four-year colleges and universities would also develop a written code of conduct.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Department of Public Safety - Highway Patrol
Department of Labor and Industrial Relations
Department of Economic Development
Department of Transportation
Department of Natural Resources
Central Missouri State University
Missouri Western State College
Harris-Stowe State College
University of Missouri
Department of Corrections
Department of Conservation

NOT RESPONDING: Coordinating Board For Higher Education, Southeast Missouri State University, Southwest Missouri State University, Northwest Missouri State University, Missouri Southern State College, Linn State Technical College, Truman State University, Lincoln University



Jeanne Jarrett, CPA
Director
April 4, 2000